Evaluation Brief

WFP United Nations World Food Programme

Evaluation of the Business Process Review (BPR)

The Business Process Review

In March 2003 the WFP Secretariat, with the assistance of the Boston Consultant Group (BCG), began a review of its business processes in an attempt to make the organization more efficient and more responsive to the needs of its beneficiaries. The BPR was also intended to improve the forecasting of donations and enhance the overall utilization of funds, including timely closure of projects.

During the review a number of processes were identified that could improve the rate of utilization and the timing of resource availability to beneficiaries. The two main processes identified were: (a) the Working Capital Finance (WCF) facility, in the amount of US$180 million and drawn from the Operational Reserve, which would ensure continued financing of operations pending confirmation of forecast contributions; and (b) the single project cash account (PCA), which would allow field managers to utilize contributions to their operations more flexibly and control costs at the overall operational level, rather than by each component.

These two processes and associated elements were implemented in 2004–2005 in nine pilot projects selected by the Secretariat.

Objectives and scope of the evaluation

The evaluation was undertaken from January to April 2006 in response to a commitment made to the WFP Executive Board for an independent evaluation of the results of the pilot projects, before deciding whether to extend the BPR.[1] The evaluation examined the relevance, effectiveness and impact of the BPR in addressing the specific goals in the nine projects.

The evaluation team conducted extensive interviews with WFP staff in Headquarters and four of the pilot countries. Field visits were made to four of the other pilot countries or regions – in Johannesburg, Dakar, Kampala and Khartoum. One team member focused on interviews with major donors to WFP, both in Rome and in two other locations.

Key Findings and Conclusions

The BPR has successfully enabled pilot projects to accomplish two major goals – maximizing the utilization of contributions and ensuring that food is made available to beneficiaries on a timely basis.

Within this overall positive conclusion the following were the key findings:

Additional beneficiaries and commodity savings

The BPR process has improved the timely provision of commodities to beneficiaries. The team undertook a review of the additional beneficiaries served and commodity savings for three of the major pilot projects – Uganda, West Africa Coastal and Southern Africa Regional Protracted Relief and Recovery Operations – and confirmed that in those projects an additional 18–30 percent of beneficiaries had indeed been served on a timely basis and cost savings achieved. (However, the magnitudes of each were estimated to have been somewhat lower than those reported earlier, using the methodology developed by the evaluation team for its work.)

Loan Facility

The Working Capital Finance (WCF) loan facility has successfully revolved US$167.5 million of US$185.5 million in total loans authorized. Use of the Operational Reserve may total about US$6.2 million, i.e. less than 3.3 percent of the total amount loaned and less than 1 percent of the total budgets of the nine pilot projects, well within the risk guideline originally proposed.[2]

Project Cash Account

US$74.1 million has been advanced using the Project Cash Account (PCA), of which US$53.3 million has been repaid. Pilot project managers have indicated that there may be repercussions on operations of advancing from the PCA (especially if drawn from landside transport, storage and handling funds) and potential delays or difficulties in repayment of some of the remaining balances. No funding has been provided to cover any potential losses.

[1] Now renamed the "New Business Model" (NBM).

[2] This was the situation in April 2006. The anticipated loan default was in connection with the Democratic Republic of Congo.

Project Planning and Reporting

The new "prototype" project planning tool developed during the pilot phase has helped to ensure that current information on project operation and status is available in a consistent format, thereby bringing potential financing and commodity availability to the attention of relevant parties. However, its regular (monthly) updating has been reported as being complex and demanding.

Donor Forecasting

The forecasting of donations has enabled managers to better estimate the resources available to the pilot projects and to repay advances made from the WCF loans and PCA advances. The accuracy of the forecasts varies considerably, however, highlighting the need for improved communication between forecasting staff and operational staff in order to minimize the risk of lending decisions being based on incomplete understanding of the determinants of the forecasts, in particular donor conditionality.

Loan and Repayment Guidelines

The guidelines available to assist in understanding the use of the loan facilities and repayment procedures have been limited and lacking in consistency. Pilot project managers expressed concern regarding the lack of information about relevant policies.

Overlapping Loan Facilities

It is felt that there could be overlap among the various advance/loan facilities available to WFP project managers, including the Immediate Response Account (IRA), Direct Support Costs Advance Facility (DSCAF), WCF, PCA and the UN Central Emergency Response Fund (CERF).[3] Field managers expressed some confusion about which facility to utilize, priorities for repayment of outstanding debt and the status of outstanding loans when projects end.

While the plans for expansion of the BPR were not covered by this evaluation, the team did review some of the efforts underway to provide an opportunity for participation by other operations. The assumption of responsibility by the Operations Department (ODM) for the BPR has enlarged the resources available to assist in its further expansion. ODM has already developed a simplified prototype to replace the current project planning tool. However, the BPR exercise is quite labor-intensive in both Headquarters (Operations and Fund Raising) and in the field. The ability of WFP to sustain this level of staff time in a significant expansion of these processes needs to be explored carefully before such a step is taken.[4]

Recommendations

The most significant recommendations are as follows:

Working Capital Finance (WCF)

Loans should be made only on the basis of full cost recovery, so as to reduce the risk of purchasing commodities and then having insufficient resources for associated costs; the overall debt balance of a specific operation should be factored into the WCF loan decision. Given the higher likelihood of default there should be an additional assessment of risk if funds are granted in the last months of an operation.

Project Cash Account (PCA)

A limit should be established on the amount that can be advanced from the funds of a single operation, either as a dollar amount or as a percentage of the operation's size. Advances involving the purchase of commodities should be based on full cost recovery and/or ensure funding is available to cover related transport costs. Internal loans for direct support costs and other direct operational costs should not be approved if funding from the DSCAF is available. An order of priority for repayment of various loans needs to be established, given that the operations that have had difficulty repaying PCA advances have also had WCF, IRA and CERF loans.

Donation forecasting

A more formal structure for regular communication on forecast contributions should be established with the field. The matrix of donor conditions being developed by the Fund Raising Division should be regularly up-dated, so that contributions may be graded according to the ability of the Programme to utilize the donations for the repayment of loans or advances. In addition, the matrix should enable field staff to better understand donor conditionality.

Benefit estimation methodology

For future reporting to the Executive Board, the methodology utilized to calculate the number of WFP food recipients benefiting from the availability of BPR financing should be modified. The collection of data should be the primary responsibility of the country office or regional bureau responsible for the operation, subject to verification by ODM, and built into the project planning tool.

[3] The CERF has recently been increased from a target of US$50 million to a target level of US$500 million, of which US$450 million (90 percent) should be in the form of grants.

[4] In the longer term, the New Business Model should enable field offices to streamline their internal work processes and distribution, resulting in improved project management discipline as well as financial and workload savings.

Reference: Full and summary reports of the Business Process Review evaluation are available at: http://www.wfp.org/operations/evaluation

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